

PAN-AMERICAN HIGHWAY REHABILITATION PROGRAM

(NI-0099)

EXECUTIVE SUMMARY

BORROWER AND	Republic of Nicaragua
GUARANTOR:	
EXECUTING AGENCY:	Ministry of Transportation and Infrastructure (MTI) Road Maintenance Fund (FOMAV)
AMOUNT AND SOURCE:	IDB: US\$50,000,000 (FSO) Cofinancing: US\$18,000,000 Local contribution: US\$13,600,000 Total: US\$81,600,000
FINANCIAL TERMS AND CONDITIONS:	Amortization period: 40 years Disbursement period: 4 years Interest rate: 1% for the first e next 30 years Inspection and supervision: 1% Credit fee: 0.5%
OBJECTIVES:	This program has the following objectives: (i) to support rehabilitation of the Pan-American Highway (PH), which is the primary road corridor supporting Nicaragua's economic base and facilitating regional integration; and (ii) to support implementation of a sustainable road maintenance mechanism, to allow a reduction in the destructive effects of natural phenomena on the road network.
DESCRIPTION:	The PH and natural corridor (NC) between Managua ? León ? Chinandega ? Guasaule is the primary arterial road network in Nicaragua. Although the PH suffered no significant damage, because of its excellent original construction and location in stable areas, its service life had reached the point where rehabilitation was a priority. The NC, in particular, was seriously affected by Hurricane Mitch and will take another five years to be completely rehabilitated. Consequently, the first program component (US\$75.3 million) would support the rehabilitation of six sections of the PH between El Espino and Nandaime (259 kilometers), affording the country a completely rehabilitated road between the Costa Rican and Honduran borders.

	<p>The program's second component would support establishment of the Road Maintenance Fund (FOMAV), using seed capital to finance road network maintenance activities. Financing will be provided for consulting services, resources and training for implementation of the FOMAV and strengthening of the MTI as an oversight and regulatory agency for the sector. As part of the support for the MTI, a consulting firm would be engaged to advise the Program Coordinating Unit (PCU) on program management and monitoring and coordination with the National Road Reconstruction Program.</p>
ENVIRONMENTAL AND SOCIAL REVIEW:	<p>Because of the excellent original construction of the PH and its location in stable areas, the rehabilitation works under the program will not require road redesign, nor do they entail major construction difficulties or population resettlement. However, in order to minimize any possibility of environmental damage, during the rehabilitation phase and over the useful life of the highway, general criteria have been established within the program, involving principles of sustainability and environmental quality control procedures. The environmental impact will be monitored by the MTI Environmental Unit (EU), which will be supported by an environmental specialist, the terms of reference for which have been agreed to with the Bank; the supervisory firms will be required to have an environmental specialist and it is proposed that an independent environmental evaluation of the Program be carried out upon its completion, with a view to providing recommendations that could be applied to future activities.</p>
BENEFITS:	<p>Lower transportation costs. In addition, this program will contribute to economic recovery, increased agricultural production, and higher standards of living for the Nicaraguan people, facilitating rehabilitation of the road infrastructure necessary for adequate and permanent access to markets and to basic social services and economic infrastructure. The projects comprising this operation were selected in consideration of the rehabilitation priorities defined subsequent to Hurricane Mitch, and will allow the country to recover the road corridor supporting its economic base and facilitating regional integration.</p>
RISKS:	<p>The program faces risks primarily with respect to the continuity and level of road system maintenance, and the poor quality of the existing infrastructure for</p>

	<p>financing, planning and managing road upkeep. The lack of adequate and timely road maintenance is one of the most important reasons why natural disasters have a highly destructive impact on the road network and the economy in general. In order to mitigate this risk, the government has resolved to intensify its efforts for the approval and operation of the Road Maintenance Fund (FOMAV), for which REMEVIAL financed a study and the drafting of the bill. Implementation will place new technical and administrative demands and coordination requirements on the MTI's various offices facilities, and will require more effective coordination among them. Accordingly, the proposed Bank financing includes funding for implementation of the FOMAV and for strengthening the MTI.</p>
EXCEPTIONS TO BANK POLICY:	None.
CRITERIA FOR POVERTY AND SOCIAL EQUITY POLICIES:	<p>This operation qualifies as a poverty- and social equity-targeted project, as described among the key objectives for Bank activities set forth in the report on the Eighth Replenishment. This Project qualifies as a poverty-targeted initiative in accordance with the geographic criteria, since approximately 75% of the population to be affected falls below the poverty level (paragraph 4.8).</p>
THE BANK'S COUNTRY AND SECTOR STRATEGY:	<p>This operation is designed to support reconstruction of the road network, thereby providing for the flexible and effective restoration of macro-economic flows through intra-regional trade. Through this US\$81.6 million operation, the Bank is supplementing the support it already granted during the emergency when it authorized the reallocation of up to US\$5 million in funds for the REMEVIAL loan, 957/SF-NI.</p> <p>The Bank is also supporting the government in preparation of the Road Reconstruction and Transformation Program, which will coordinate support from the international community in making the necessary investments. This program will be presented to the regional consultative group at its meeting in Stockholm in mid-1999. An initial estimate indicates that the requirements of the road network will be on the order of US\$730 million, including some US\$447 million for the 1999-2002 period. In addition, the Bank has arranged to contribute to supporting the Road Reconstruction Program (NI-0113) with a new operation totaling US\$90 million.</p>

SPECIAL CONTRACTUAL CONDITIONS:	<p>A. <u>Conditions precedent to the first disbursement</u></p> <p>The firm that will be advising the PCU must have been hired and an environmental specialist must have been brought in to the EU (paragraphs 2.6, 3.2 and 3.23).</p> <p>B. <u>Other special contractual conditions</u></p> <p>a. Before the works contracts are awarded, the y must provide evidence that consulting services have supervise the works (paragraph 2.4).</p> <p>b. Before disbursements can be made for the oad maintenance activities, evidence must have been FOMAV has been set up and placed in operation .</p> <p>Agreement must also be reached on the appropriate technical and environmental conditions for this type of operation, as well as on the conditions for auditing, reporting, follow-up and maintenance.</p>
PROCUREMENT:	<p>International public bidding will be conducted for the procurement of goods in amounts of US\$300,000 or more and works in amounts of US\$3 million or more. Bidding will be conducted for the procurement of consulting services in amounts of US\$200,000 or more. Procurements beneath these thresholds will be subject to the procedure indicated in paragraph 3.4 of this document.</p>